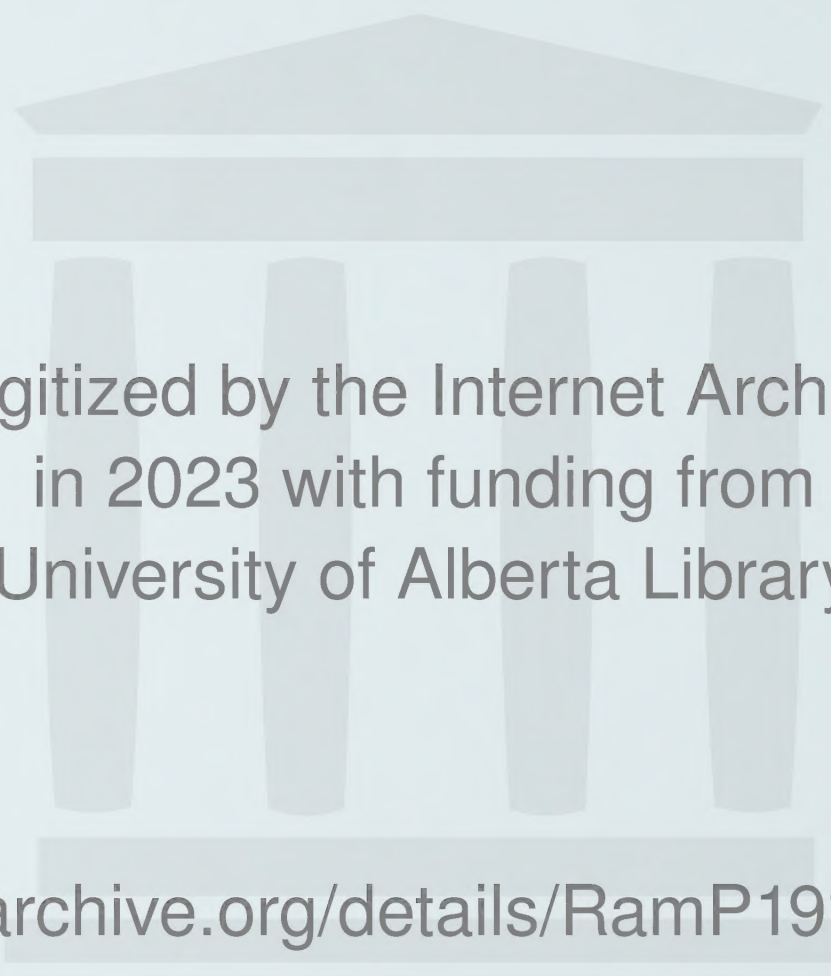


AR36

**Ram
Petroleums
Limited
Annual
Report
1980**



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RAM PETROLEUMS LIMITED

Incorporated under the laws of Ontario
and its subsidiary

RAMOCO INC.

Incorporated under the laws of Delaware

Executive and Head Office

Suite 520, The Simpson Tower, 401 Bay Street,
Toronto, Ontario M5H 2Y4
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Directors

Roger I. Barton
Cyril J. Hadley
Ralph W. McDowell
Robert J. Opekar
R. Bredin Stapells, Q.C.
Noah Torno
Donald C. Webster

Transfer Agents

National Trust Company, Limited
Toronto, Ontario

The Bank of Bermuda Limited
Hamilton, Bermuda

Officers

Robert J. Opekar
President

Cyril J. Hadley
Vice-President of Exploration

Roger I. Barton
Secretary

Robert O. Cochrane
*Supervisor of Exploration
and Production*

Auditors

MacGillivray & Co.
Toronto, Canada

Bankers

The Bank of Nova Scotia
Main Branch
Toronto, Canada

National Bank of Detroit
Main Branch
Detroit, Michigan

REPORT TO SHAREHOLDERS

Since my last annual report, your company has made some important decisions with regard to its long range plans. Ramoco Inc., your company's wholly-owned U.S. subsidiary, has decreased its activity in the pinnacle reef plays of northern and southern Michigan and has concentrated its efforts on a new deep play in central Michigan and on a leasing and drilling play in central Oklahoma.

Over the last year, it has become apparent that a major gas condensate and perhaps oil play is shaping up in the deep portion of the Michigan Basin. After reviewing the geological studies carried out by your company's personnel, management decided to commence an extensive lease acquisition program which is more fully described on page 5 of this report. To date, Ramoco has acquired about 42,000 net acres of oil and gas leases in the deep play triggered by discoveries made by Hunt Energy Corporation and Dart Oil & Gas Corporation, to bring the company's acreage position to about 72,000 net acres of 140,000 gross acres in Michigan. Initial indications suggest that the potential exists for large reserves in the deep play, and for this reason, your company has substantially reduced its expenditures in the pinnacle reef trends where much smaller reserves are discoverable and where costs have escalated substantially in recent years.

In Oklahoma, Ramoco has moved from its small office at Wagoner to offices in Tulsa. The new office will provide staff geologists with an excellent base of operations from which to increase Ramoco's extensive land position, more fully described on page 7, and to supervise drilling activity and production. To date, the company has participated in two wells, one of which has been completed as an oil producer and one which is awaiting completion. The company plans to drill an additional 14 wells in stage one of its 1981 program. The production potential in this area is more fully assessed on page 7 of this report. This program should have a substantial effect on the income growth of Ramoco. It has been designated as a low-risk, oil-prone play which should prove profitable in a future of oil scarcity and possible gas surpluses.

Negotiations are still continuing with respect to the farming out of Ramoco's 225,655 acres of oil and gas leases in southwestern Utah. The potential in this area is more fully described on page 9 of this report. We will shortly receive our copy of a group study of this area to be completed by Eureka Resources Associates of Berkeley, California, which should aid us in presenting these possibilities to other interested companies.

In Canada, we have noticed a renewed interest by larger companies in our Baffin Offshore prospect. Details of this project are provided on page 13 of this report. Additional marine seismic work done by your company in 1979 was processed and interpreted in 1980 and indicates that one or more large drillable features exist on Ram's permits. The federal government's proposal to

provide an 80% grant towards the cost of drilling an exploratory well by a Canadian company in such a frontier region has made it more attractive for a number of large companies to farm in on these permits.

In Ontario, we have been advised by Shell Canada Resources Limited that it proposes to drill five exploratory wells on acreage farmed out by Ram in late 1979. During 1980, Shell conducted extensive geophysical work on these lands and drilled one pinnacle reef which proved to be tight and unproductive. Elsewhere in Ontario, the company plans to farm out all its remaining land holdings in return for a commitment to spend about \$10 million on exploratory work over the next four years. Discussions for this farm out are at an early stage. The dispute with respect to the Corey East oil pool has been settled on a basis acceptable to your company and production should commence soon.

Drilling is continuing at the Elbow Lake gold prospect in Manitoba. So far, no important new zones of mineralization have been encountered, but drilling has re-confirmed the existence of the old zones. In addition, drilling has indicated the possibility of establishing larger ore reserves of lower grade over greater widths. Such results may offer better commercial possibilities than higher grades over narrower widths.

Oil, gas and royalty income, after direct expenses and royalties, was \$4,578,946 for 1980 compared with \$2,604,112 for the previous year. Because of higher exploration expenses in 1980, and because \$2 million of non-recurring income was received in 1979, the company incurred a loss of \$10,696 in 1980 in contrast to the profit of \$595,237 made in 1979. The increase in working capital deficit is due to the larger investment in capital assets; \$4,126,437 in 1980 compared with \$1,779,881 in 1979. Since the year-end, your company has continued its policy of adding to capital assets, particularly oil and gas leases in the Michigan deep basin. A sale of other assets, a sale of additional shares, or a combination of both, will take place in 1981 to reduce or eliminate the working capital deficit. On March 31, 1981, bank indebtedness in the amount of \$2,245,530 was converted to a term loan.

I continue to be very optimistic of your company's prospects for 1981.

On behalf of the directors, I wish to thank all employees for their contribution to the success of the company in 1980.

R. J. OPEKAR
President

May 19, 1981

RAM PETROLEUMS LIMITED

RAMOCO INC.

PRINCIPAL EXPLORATION AREAS



RAM PETROLEUMS LIMITED AND AFFILIATED COMPANIES

PRINCIPAL EXPLORATION AREAS

A. ARCTIC ISLANDS (Sverdrup Basin)

Federal oil and gas leases
1,593 acres, Ram 75%, Forest Oil 25%
1,352 acres, Ram 75%, Esso Resources 25%

B. OFFSHORE BAFFIN ISLAND (Saglek Basin)

Federal oil and gas exploration permits
120,592 acres, 100%

C. MANITOBA

Mining leases and claims
3,216 acres, 100%

D. NOVA SCOTIA

Offshore (Scotia Shelf)
Provincial oil and gas exploration permits
408,720 acres, 100%
Onshore (Minas Basin)
Provincial oil and gas exploration permits
415,000 acres, 100%

E. ONTARIO (Michigan Basin)

Petroleum leases
178,987 acres, 100%

F. MICHIGAN (Michigan Basin)

Petroleum leases
35,182 net acres, 75,749 gross acres, Ramoco Inc.

G. ROCKY MOUNTAIN REGION

Utah (Green River and Great Basins)
Petroleum leases
251,226 acres, 100% Ramoco Inc.
60,075 acres, 15.5% Ramoco Inc.

H. OKLAHOMA (Anadarko Basin)

Petroleum leases
4,440 net acres, 6,492 gross acres, 100% Ramoco Inc.

I. NEW MEXICO (Pedregosa Basin)

Petroleum leases
16,417 acres, 100% Ramoco Inc.

J. TEXAS (Delaware Basin-West Shelf)

Petroleum leases
11,000 acres, 4.29% Ramoco Inc.

Figure #1

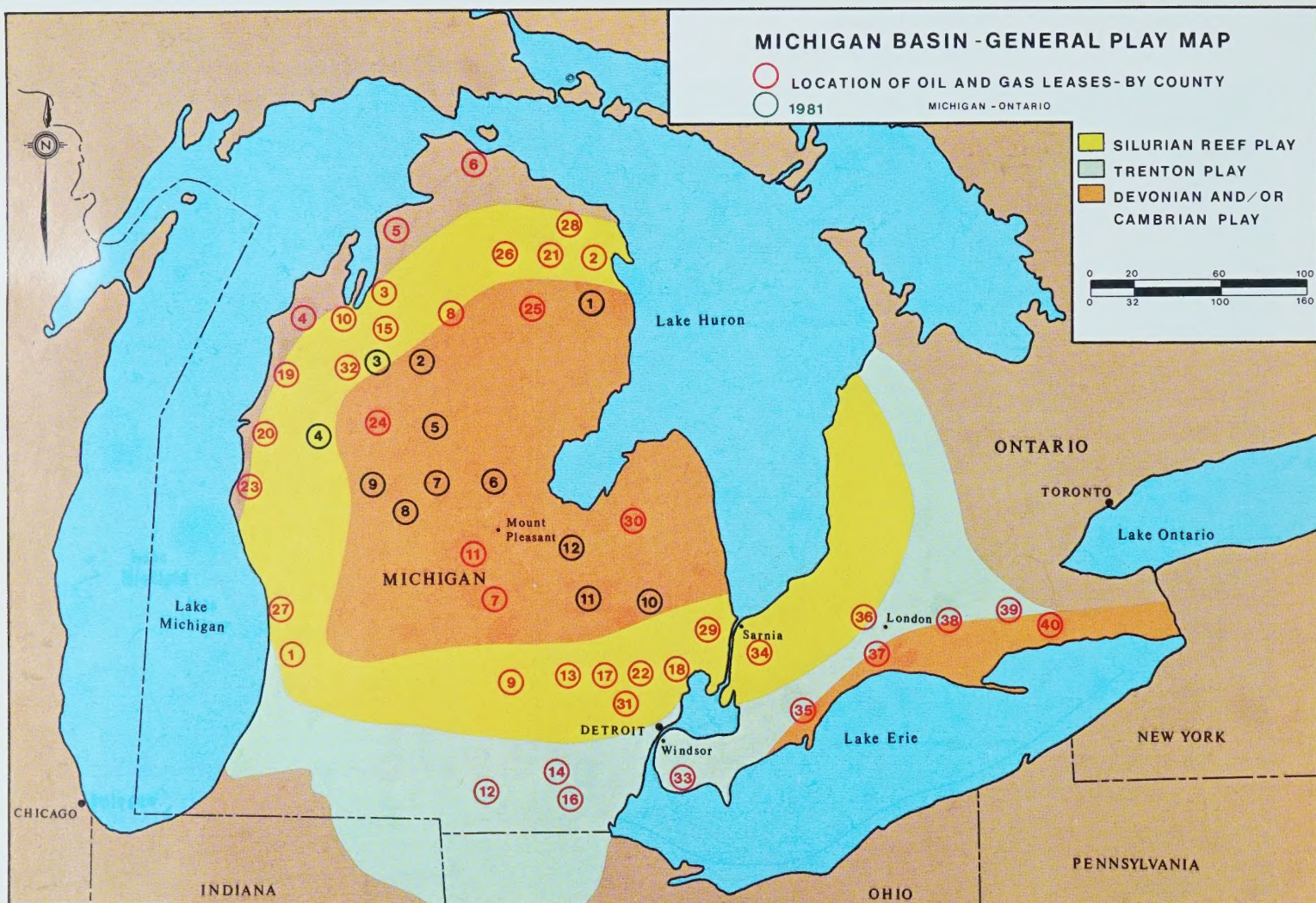


Figure #2

MICHIGAN

Ramoco Inc.

To December 31, 1980

	Leasehold		Mineral	
	Gross Acres	Net Acres	Gross Acres	Net Acres
1. Allegan	229	91	—	—
2. Alpena	316	144	—	—
3. Antrim	4,642	2,381	—	—
4. Benzie	718	103	359	65
5. Charlevoix	1,078	539	—	—
6. Cheboygan	839	406	—	—
7. Clinton	5,363	2,682	—	—
8. Crawford	5,509	4,667	200	19
9. Eaton	1,082	445	—	—
10. Grand Traverse	2,175	304	4,797	817
11. Gratiot	3,620	362	—	—
12. Hillsdale	5,639	5,048	—	—
13. Ingham	520	110	—	—
14. Jackson	4,589	4,589	—	—
15. Kalkaska	1,078	79	1,028	67
16. Lenawee	407	407	—	—
17. Livingston	438	44	—	—
18. Macomb	1,227	183	60	18
19. Manistee	2,563	757	4,960	886
20. Mason	374	234	399	121
21. Montmorency	163	95	—	—
22. Oakland	1,958	560	61	14
23. Oceana	728	163	—	—
24. Osceola	1,162	325	—	—
25. Oscoda	2,775	1,453	—	—
26. Otsego	3,782	1,060	840	11
27. Ottawa	1,445	723	—	—
28. Presque Isle	1,250	110	—	—
29. St. Clair	165	17	396	20
30. Tuscola	13,353	1,571	—	—
31. Washtenaw	5,285	5,285	—	—
32. Wexford	1,281	245	1,045	214
	<u>75,749</u>	<u>35,182</u>	<u>14,145</u>	<u>2,252</u>

ONTARIO

Ram Petroleums Limited

To December 31, 1980

33. Essex	29,476
34. Lambton	114,680
35. Kent	8,337
36. Middlesex	9,766
37. Elgin	9,853
38. Oxford	2,615
39. Brant	4,078
40. Haldimand-Norfolk	182
	<u>178,987</u>

STATE OF MICHIGAN (MICHIGAN BASIN)

Exploration activity in the Michigan Basin took a dramatic upturn towards the end of 1980 as a result of reported discoveries by Hunt Energy Corporation and Dart Oil & Gas Corporation in the deep central basin. The northern pinnacle reef play, the prime area of activity since its inception in late 1969, began to decline in 1978 and this is reflected in Ramoco leaseholdings for the period 1970 to 1979 as illustrated in Fig. #3.

In December, 1980, Ramoco began a major lease acquisition program in light of the reported significant deep discovery of gas from the Prairie du Chien formation of Ordovician age in the Dart well in Missaukee County. By the end of the first quarter of 1981, Ramoco had doubled its net acreage position in the Michigan Basin by acquiring an additional 42,000 net acres. Part of this new acreage is located in the following counties shown on adjoining Land Table and Fig. #2: Clinton, Gratiot, Livingston, Macomb and St. Clair. The remainder of the new acreage is located in the following counties which are represented on Fig. #2 by the corresponding green circled number: (1) Alcona, (2) Roscommon, (3) Missaukee, (4) Lake, (5) Clare, (6) Gladwin, (7) Isabella, (8) Montcalm, (9) Mecosta, (10) Lapeer, (11) Genesee, (12) Saginaw. Ramoco continues to acquire deep basin acreage concentrating its efforts along the edge and down dip from a deep-seated basinal feature which coincides, in many instances, with shallower Devonian production. Ramoco's geologists believe that the Ordovician-Cambrian-Sandstone facies feather into the basinal feature creating a favourable stratigraphy where large volumes of hydrocarbons may be entrapped.

An early understanding of the play by Ramoco technical staff enabled the company to acquire quickly a very favourable land position which will give Ramoco exposure to the surge of deep drilling expected to commence shortly. Ramoco expects to farm out, under very favourable terms, all or portions of its holdings as the play matures.

During 1980, Ramoco continued to explore along the northern Michigan pinnacle reef trend. Four

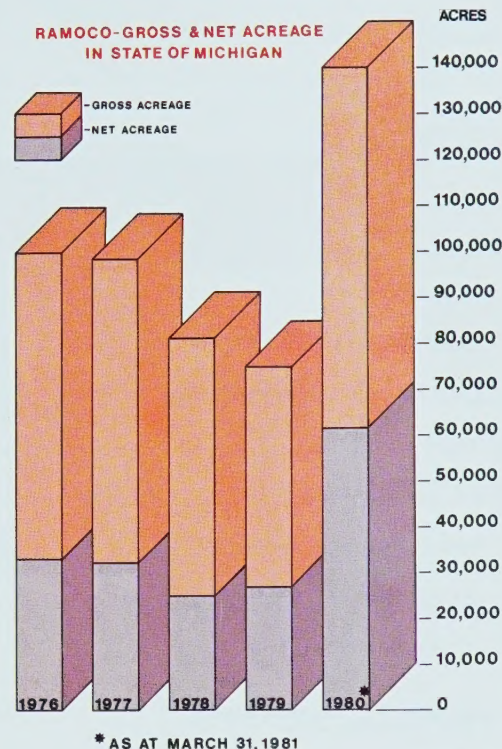
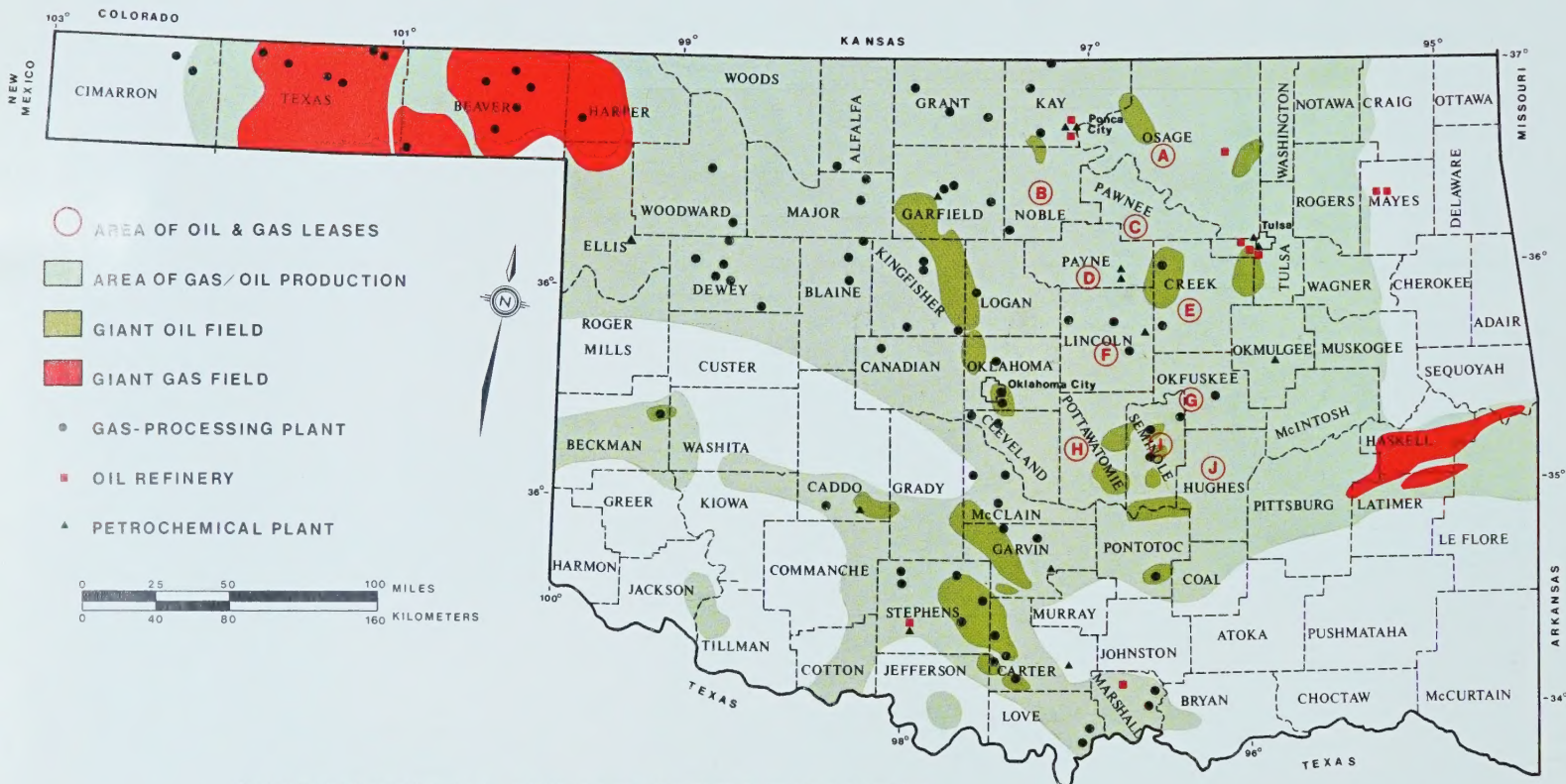


Figure #3

exploratory tests (Ramoco 9%-50% working interest) were drilled dry and subsequently abandoned and one was completed as a potential gas well (Ramoco 12.5% working interest), giving the 1980 exploratory program for the Delta-Ramoco group a 20% success. The drilling of eight development tests resulted in four successful oil wells for a 50% success (Ramoco 9%-50% working interest).



GENERALIZED OIL AND GAS MAP OF OKLAHOMA

Figure #4

OKLAHOMA (ANADARKO BASIN)

Ramoco has leased 4,440 net acres in central Oklahoma and continues to lease up an inventory of geological prospects generated in-house. Net revenue interest in this acreage is between 80-84%. The Ramoco area of interest is indicated by letters A to J on Fig. #4. As of April 30, 1981 Ramoco had obtained acreage in a number of counties as follows: (a) Osage — 160, (d) Payne — 109, (e) Creek — 1838.49, (f) Lincoln — 3347, (g) Okfuskee — 680, (h) Pottawatomie — 320, (i) Seminole — 40. This play is considered an infill drilling program where there is considerable old well control. Reinterpretation of geological and production data allows Ramoco to be very selective on lease acquisition; consequently, acreage per prospect is kept to a minimum while drainage can be effective from areas considered by others to be non-productive due to the presence of dry holes. Ramoco's first well in Oklahoma, the State Land #16-1, a joint venture in which Ramoco has a 50% working interest, was spudded towards year-end in Lincoln County and successfully produced oil from the Redfork formation. Further pump testing will indicate a stabilized rate of production for this well. The second Lincoln County well, the B.C. Williams #2-1 drilled April, 1981, (Ramoco 100% working interest) encountered 12' of Wilcox pay at a depth of 5,100'. A preliminary drill stem test of this zone produced significant quantities of free oil at near virgin pressure. The well is currently being production tested for average daily rates. Ramoco plans to drill about 14 more wells in stage one of its 1981 Oklahoma program. Ramoco expects to have an 80% success in its current infill drilling program in

Oklahoma. These wells should produce between 25 to 125 bbls oil per day, but some wells with virgin pressure and without previous drainage could be expected to produce at higher rates. To manage the current exploration program, Ramoco has opened an office in Tulsa, Oklahoma. This new, fully equipped exploration office will be a base for operations in eastern Oklahoma and for ongoing exploration in the Anadarko and other nearby petroleum basins.

TEXAS (DELAWARE BASIN — WEST SHELF)

During 1980, Ramoco participated in the drilling of a 7,596' stratigraphic test to earn an interest in acreage in Hudspeth and Culberson Counties, Texas. Additional seismic was run after the drilling of the stratigraphic test. A drillable seismic anomaly is expected to be drilled in May, 1981. The prime target is the Pennsylvanian Strawn formation where favourable stratigraphy and hydrocarbon showings were encountered in the stratigraphic test. Border Exploration Company continues as the operator of a revised 11,000 acre block. Ramoco has a 4.29% working interest in this block which is located on the west edge of the Delaware Basin.

(LAND TABLE #1)

UTAH

County	Acres	Ramoco %
1 Beaver	86,551	100
2 Box Elder	18,913	100
3 Cache	6,658	100
4 Iron	138,304	100
5 Millard	800	100
6 Rich	60,075	15.5

WYOMING

7 Uinta	640	100
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STATE OF UTAH AND NEW MEXICO

RAMOCO LAND HOLDINGS

-  Rich County
-  Box Elder, Cache Counties
-  Millard, Beaver & Iron Counties
-  Hidalgo, Grant & Luna Counties



Figure #5

OIL AND GAS EXPLORATION

THE OVERTHRUST BELT – ROCKY MOUNTAIN REGION

In recent years, companies active in the Overthrust Belt have drilled mostly in the West Green River Basin portion of the Belt, where northeastern Utah joins southwestern Wyoming. New geological and geophysical data have caused some explorationists to believe that a trend with a width of up to 200 miles extends 2,200 miles from Alaska to Mexico (See Figure #5). Your company's geologists came to this conclusion in 1972. In that year, Ramoco began leasing north of Great Salt Lake in the Great Basin, where Amoco discovered oil in 1979, and in northeastern Utah adjacent to the Utah and Wyoming border, where American Quasar Petroleum discovered the Pineview oilfield in 1975.

In early 1976, Ramoco commenced leasing in southwestern Utah along the hingeline and the eastern limit of the Overthrust Belt. Recent industry activity in this area confirms that Ramoco's strategy is a good one; leasing while land prices are relatively low and maintaining the whole interest until new geological concepts are accepted by other explorationists so that very favourable farmouts can be negotiated.

UTAH NORTHEAST UTAH

In 1977, American Quasar discovered gas in Rich County at the Hogback Ridge #20-1 well. In 1980 the well produced enough gas to pay out all costs and Ramoco converted its overriding royalty interest to a 6.3% working interest. The Dinwoody formation is now believed to be depleted after producing 6 b.c.f. Engineering is currently underway to facilitate the production of gas from reservoirs within the Phosphoria formation. This gas contains some hydrogen sulphide and will require treatment before it is sold to the pipeline. Ramoco expects the Phosphoria to produce a further 6 b.c.f. before this well is depleted. The underlying Madison formation could have much larger gas reserves than the Dinwoody and Phosphoria formations, but because of drilling problems, the Madison was not yet penetrated in the discovery well.

SOUTHWESTERN UTAH

In southwestern Utah, Ramoco is active in a land play which management considers is becoming the most exciting onshore play in North America. This play extends from Idaho through the Great Salt Lake oil discovery and central and southwestern Utah into extreme southeastern Nevada and beyond (See Figure #6). Ramoco has 100% interest in 225,653 acres on trend in Millard, Beaver and Iron Counties (See Figure #5). The Ramoco acreage was leased in relatively contiguous blocks within the Escalante Desert Basin, immediately east of the Wah Wah Mountains and the Blue Mountain thrust. This play involves an area of the Overthrust Belt adjacent to the hingeline separating the Colorado Plateau from the Great Basin. Ramoco's geologists postulate that the area has received and preserved thick deposits of Navajo Sandstone, an equivalent to the Nugget Sandstone found to be productive at the Pineview Field in northeastern Utah. Combined with likely thrusting and subthrusting in the area it is reasonable to expect a repetition of the conditions present in the northeastern Utah and Wyoming overthrust play. One favourable marketing factor is that the planned route of the 583 mile Rocky Mountain Pipeline System, an extension of the Trailblazer Pipeline, will pass through the Ramoco acreage in the Escalante Basin. This 36" pipeline will transport gas from the Overthrust Belt to the Californian market and is scheduled for completion in the early 1980's. The presence of the proposed pipeline assures a ready market for gas discovered on Ramoco's acreage.

Extensive drilling activity in 1980 has enhanced Ramoco's acreage positions in Utah and New Mexico. All of the following activity is within 100 miles from Ramoco's holdings. Placid Oil continues to drill in central Utah about 60 miles northeast of Ramoco major land holdings and has had a number of encouraging hydrocarbon showings. Cominco drilled a 13,000' test in Millard County, Utah and completed it as a Cambrian gas discovery 42 miles north of Ramoco land holdings in Beaver and Iron Counties. Arco drilled a dry hole just 6 miles east of Ramoco acreage in Millard County and 12 miles south of the Cominco well, but it is rumoured that Arco had a number of shows as well as oil circulating to the mud pits. Ensign Oil & Gas is currently testing its

wildcat well about 35 miles northwest of Ramoco acreage and there have been rumours of many zones with hydrocarbon showings.

With this encouragement, Ramoco is currently negotiating with one major oil company to farm out its Beaver and Iron County acreage

NORTH GREAT SALT LAKE

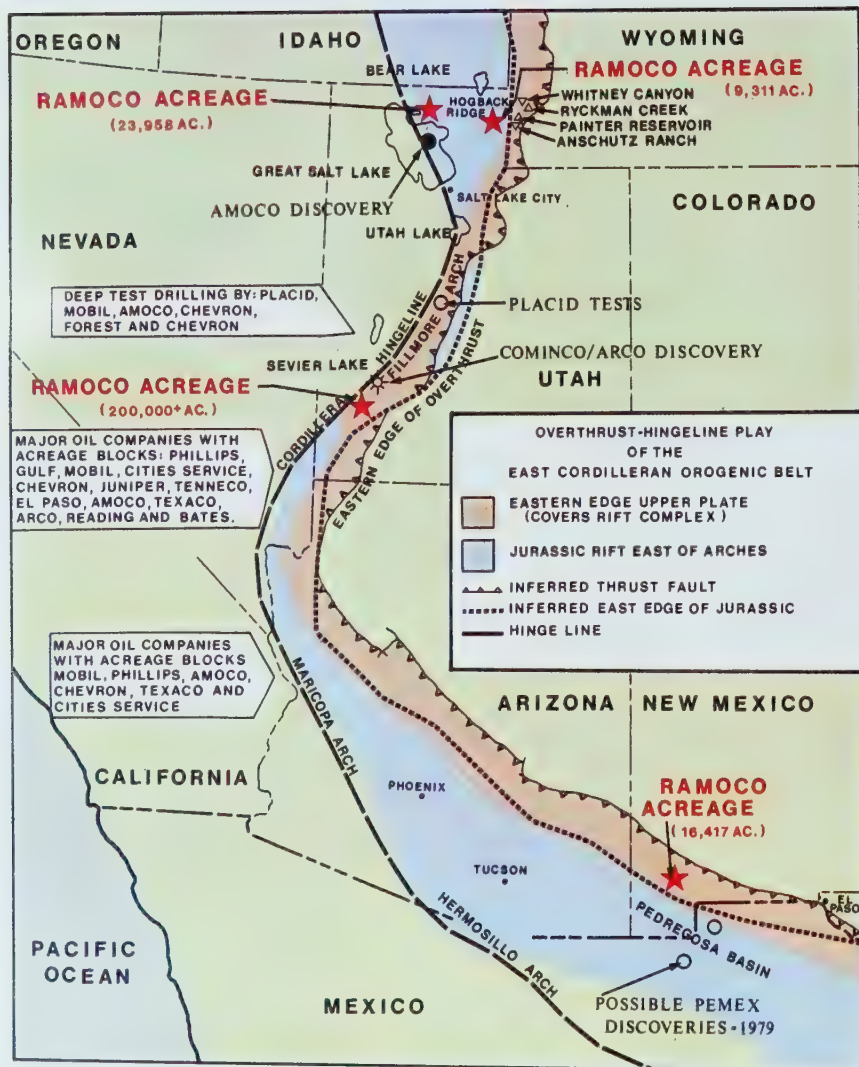
North of Great Salt Lake, Ramoco has 23,958 acres under lease in Cache and Box Elder Counties along the hingeline of the Great Basin. Industry interest in this acreage increased in 1978 when Amoco drilled two wildcat wells in Great Salt Lake. Amoco tested 768 barrels of low gravity oil per day from 2,300'. Amoco wildcat drilling continues to move north in Great Salt Lake towards Ramoco's onshore leases in Box Elder County.

Further to the east, drilling activity has been steadily increasing over the last year and a number of independent operators are presently drilling in Cache County. This area of Utah may be shown to be the western margin of the Overthrust Belt. Thrust sheets are expected to be encountered at much shallower depths.

STATE OF WYOMING (OVERTHRUST/ GREEN RIVER BASIN)

Ramoco has 640 net undeveloped acres under lease in Uinta County, Wyoming. This single block of land is situated within the Overthrust Belt on the western margin of the Green River Basin. This parcel is located 6 miles east of the Sulfur Creek-Spring Valley oil field trend, 25 miles southeast of Whitney Canyon and 25 miles northwest of the Pineview Field. It is favourably situated for the possibility of containing stratigraphic and structural traps in sandstone and carbonate beds of Paleozoic and Mesozoic Age. Speculation in this acreage was increased when Amoco abandoned a test less than ¼ of a mile east at a depth of 4,075', seventy-five feet below contract fulfillment depth and well above prospective formations.

OVERTHRUST BELT ROCKY MOUNTAIN REGION



STATE OF NEVADA (BUTTE EVAPORITE BASIN)

Ramoco has 41,189 net undeveloped acres of leases in the State of Nevada. All the Nevada holdings are located in Elko County, east of and adjacent to the eastern edge of the Roberts Mountain Thrust. Numerous paleozoic stratigraphic traps should be present on the flanks of the Permian Butte evaporite basin in south Elko County, Nevada. Structural and stratigraphic traps may exist in deeper portions of the basin. Seeps and oil shale exposures along the edge of the Roberts Mountain Thrust indicate the presence of hydrocarbons in the area.

Over the past year both Amoco and Wexpro encountered oil in eastern Nevada. Further development of these fields is currently under way.

Recently, Sohio began drilling a wildcat test adjacent to Ramoco's land holdings. This test is permitted to below 12,000'.

Ramoco has obtained a judgment of the U.S. District Court reinstating its leases terminated by the Bureau of Land Management in 1977.

NEW MEXICO (PEDREGOSA BASIN)

Early in 1980, after conducting geological studies, Ramoco commenced leasing in southern New Mexico along the eastern margin of the overthrust belt. Ramoco acquired 16,417 acres before competition ruled out further acquisitions. The Ramoco acreage shown in Fig. #6 is favourably located on trend with several rumoured hydrocarbon discoveries by Pemex, the Mexican government oil company, within the extension of the overthrust belt into the Chihuahua district adjacent to the New Mexico border.

Ramoco does not have any immediate exploration plans for this acreage since it is known that several major companies have holdings in the area and have been conducting seismic surveys. A farmout of the Ramoco acreage is expected.

ONTARIO (MICHIGAN BASIN) LAMBTON COUNTY

Shell Canada Resources completed a 536 km seismic survey program covering most of the farmout agreement area of November, 1979.

The Ram-Shell agreement in Lambton County has been amended to allow Ram to farm out selected acreage (45,425 acres) and to allow Shell to continue exploration in the remaining acreage (68,572 acres). (See Fig. #2).

Shell's first earning well intersected 274' of tight reef before encountering an elevated water table. This well was plugged but further exploratory work on this prospect is being considered. Shell plans to drill 5 more exploratory tests commencing in April, 1981.

SOUTHWESTERN ONTARIO ORDOVICIAN PROSPECTS

Ram has 27,479 acres under lease in Essex County where prospects favour finding hydrocarbons in the Trenton-Black River formation of Ordovician age. (See Fig. #2).

During 1980, Ram contracted in excess of 20 miles of successful experimental seismic to upgrade this oil-prone play.

CAMBRIAN PROSPECTS

To date, Ram has 37,485 acres under lease in Kent, Middlesex, Oxford, Elgin and Brant Counties. (See Fig. #2). Ram's staff has generated a number of prospects and a seismic program to upgrade the prospects is being planned. Ram is negotiating towards a farmout of both the Ordovician and Cambrian prospect acreage together with selected acreage (45,425 acres) in the Lambton County pinnacle reef play.

ONTARIO

Ram Petroleum Limited

To December 31, 1980	
Essex	29,476
Lambton	114,680
Kent	8,337
Middlesex	9,766
Elgin	9,853
Oxford	2,615
Brant	4,078
Haldimand-Norfolk	182
	<u>178,987</u>

OFFSHORE NOVA SCOTIA (SCOTIA SHELF)

Ram now holds provincial exploratory permits on 408,720 acres out of an original inventory of 666,970 acres on the Scotia Shelf.

Two permits covering 92,160 acres are located about 200 miles southwest of the Sable Island gas discoveries. These permits are subject to the resolution of the federal-provincial dispute concerning ownership of offshore resources.

In addition, Ram holds 316,560 acres along the international boundary of the Georges Bank. There is no requirement for work to be done on these permits pending a resolution of a dispute between Canada and the United States concerning the exact location of the international boundary.

ONSHORE NOVA SCOTIA (MINAS BASIN)

Your company has recently made application for 415,000 acres of submarine and contiguous onshore exploratory licences in the Cobequid Bay area of Nova Scotia. A portion of this area was explored by Ram in 1973 where seismic on land indicated a large volume of sediments within a central graben coincident with Cobequid Bay.

Rocks of Pennsylvanian and Mississippian age are expected within the geological section, with porous reservoirs and source beds similar to those encountered within and adjacent to the Stoney Creek oil and gas field which is located 60 miles northwest near Moncton, New Brunswick.

Ram continues to conduct geological studies in this area and is currently exploring the possibilities of shooting a detailed seismic program across Cobequid Bay.

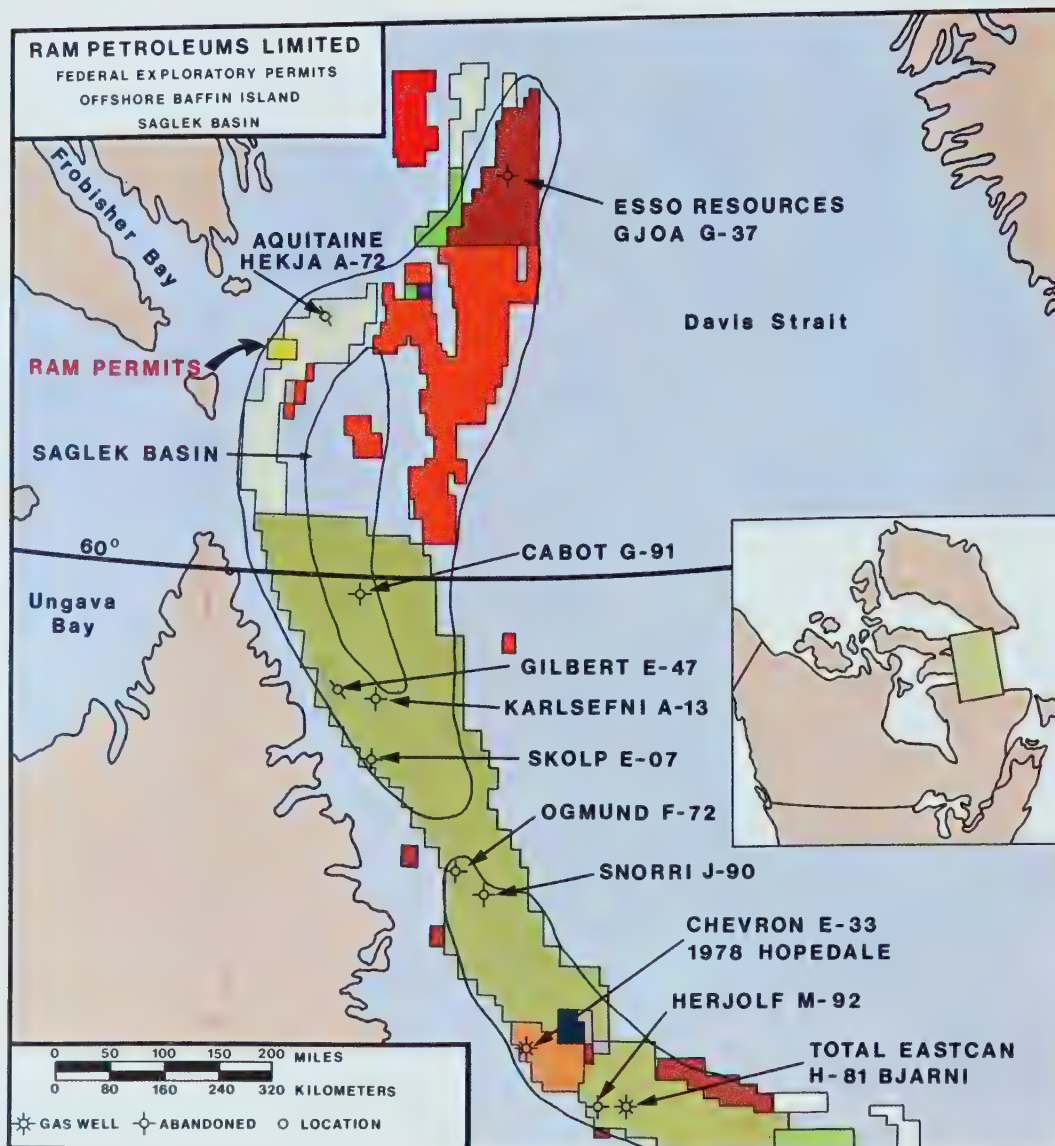


Figure #7

OFFSHORE BAFFIN ISLAND (SAGLEK BASIN)

Ram has 120,592 acres remaining of its original inventory of 1,087,410 acres in Cumberland Sound, off the East Coast of Canada (See Fig. #7). Its permits are on the northwest side of a large geological downwarping known as the Saglek Basin which is on the northern portion of the Labrador Shelf. This is a very prospective basin where sediments with a thickness of as much as 40,000' are expected to contain large reserves of hydrocarbons. Industry considers the Labrador Shelf to have a potential equivalent to that of the North Sea. Faulting and voluminous sediment deposition have created geological prospects which have the potential for the very large reserves and the high well deliverabilities required for economic development in the Arctic area.

In 1980, Aquitaine Company of Canada and its partners re-entered the Hekja #A-72 exploratory test located about 25 miles northeast of your company's offshore Baffin Island acreage. A 240' sandstone section containing hydrocarbons was encountered at about 10,500'. This well reached a total depth of 15,240' in late September, 1980. This well tested a significant gas show, but was plugged and abandoned.

New seismic interpretation of data obtained in Ram's 1979 seismic program has reconfirmed, on Ram's acreage, the existence of a large structure with considerable closure.

ARCTIC ISLANDS (SVERDRUP BASIN)

In 1980, Ram and its partners converted expiring permits covering 179,995 acres to four leases covering 2,945 acres. If the federal government's legislation is enacted on the terms presently proposed, Ram and its partners may negotiate an exploratory agreement covering the original permit block. This acreage is well located with respect to known geological structures and recent hydrocarbon discoveries.

In April, 1981, Panarctic Oils Ltd. recovered significant quantities of medium gravity oil from two separate structures tested at the Skate #B-80 and the Cisco #B-66 locations. Flows of over 1,200 b.o.p.d. were recorded from the King Christian Sandstone at a depth of 6,413'. Panarctic's success in this area continues to encourage management.

MINING IN CANADA ONTARIO

Ram is also engaged in some mining activities in Canada. The most interesting project is a development of a massive tremolite deposit in Eastern Ontario. Through experimental work, it has been established that tremolite added in small quantities to asphaltic road topping enables an increase in its asphalt content by about one-third without any bleeding occurring in hot weather. The tremolite acts as a matrix and prevents the migration of asphalt within the mix. As a result, a much tougher and more flexible road topping can be laid.

Continuing tests on the strips laid by the Borough of North York and Metro Toronto have all had satisfactory results. With the connection of a five mile hydro electric power installation, the tremolite plant near Sharbot Lake has been completed and production to fill existing orders will commence in May, 1981.

MANITOBA

In 1980, Ram exercised its option to acquire a mining property located at Elbow Lake about 30 miles east of Flin Flon, Manitoba.

A small-scale gold operation was carried out by Century Mining Corporation in the late 1930's on two veins located on the properties. A shaft was sunk and drifting took place at the 125' and 250' levels. Mining was discontinued in 1940. Operations were resumed in 1946 and the shaft was deepened to 535' with stations at 375' and 500'. Production was intermittent and was finally suspended in 1949. In 1951, six deep-drill holes confirmed the extension of the veins to depth. The veins are open both to depth and along lines of strike. About 300,000 tons of ore grading .35 oz. of gold per ton is proven or highly probable. Very small tonnages have been mined to date.

During the year, Ram completed geophysical and geological studies and staked additional claim blocks on adjacent ground. Early in 1981, a drilling program was commenced and is continuing.

Consolidated Balance Sheet

As at December 31, 1980

Assets	1980	1979
CURRENT		
Cash	\$ 133,527	\$ —
Accounts receivable	585,971	566,777
Marketable securities	26,351	4,712
Prepaid expenses	86,259	115,334
	<u>832,108</u>	<u>686,823</u>
INVESTMENTS AND ADVANCES (Note 2)	233,240	198,869
CAPITAL ASSETS (Note 3)		
Interest in oil and gas leases	2,441,205	1,770,295
Mineral interests	542,757	457,501
Equipment	1,447,148	592,007
Development costs deferred	4,603,349	3,899,724
	<u>9,034,459</u>	<u>6,719,527</u>
	<u>\$10,099,807</u>	<u>\$7,605,219</u>

Liabilities

	1980	1979
CURRENT		
Bank indebtedness (Note 4)	\$ 1,950,094	\$ 523,997
Current instalments on term bank loan (Note 5)	720,664	995,343
Accounts payable and accrued liabilities	1,395,639	722,112
Due to Director	—	30,000
	<u>4,066,397</u>	<u>2,271,452</u>
TERM BANK LOAN (Note 5)	—	881,483
DEFERRED INCOME TAXES	271,822	284,640
MINORITY INTEREST IN SUBSIDIARY COMPANY	41,152	38,349
	<u>4,379,371</u>	<u>3,475,924</u>

CONTINGENCIES AND COMMITMENTS (Note 9)

Shareholders' Equity

CAPITAL STOCK (Note 6) ..	5,518,316	3,916,479
RETAINED EARNINGS ..	202,120	212,816
	<u>5,720,436</u>	<u>4,129,295</u>
	<u>\$10,099,807</u>	<u>\$7,605,219</u>

Approved by the Board

 Director

 Director

Consolidated Statement of Earnings

For the Year Ended December 31, 1980

	1980	1979
INCOME		
Royalties	\$ 988,814	\$ 811,218
Gas sales	2,405,446	795,555
Oil sales	1,184,686	997,339
Sale of geological and geophysical data	—	2,000,000
	4,578,946	4,604,112
Less: Direct expenses and royalties	229,099	424,625
	4,349,847	4,179,487
Interest, dividends and consulting fees	109,913	67,134
	4,459,760	4,246,621
EXPLORATION AND DEVELOPMENT EXPENSES	3,164,025	2,245,162
ADMINISTRATIVE AND GENERAL EXPENSES	1,324,365	1,441,738
	4,488,390	3,686,900
EARNINGS (LOSS) BEFORE UNDERNOTED ITEM	(28,630)	559,721
OTHER INCOME	20,737	38,230
EARNINGS (LOSS) BEFORE MINORITY INTEREST	(7,893)	597,951
Minority interest in earnings of subsidiary	2,803	2,714
EARNINGS (LOSS) BEFORE INCOME TAXES	(10,696)	595,237
Income taxes	—	—
EARNINGS (LOSS) FOR THE YEAR	\$ (10,696)	\$ 595,237
EARNINGS (LOSS) PER SHARE	(.3¢)	16.3¢

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1980

	1980	1979
RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR		
As previously reported	\$ 212,816	\$2,012,186
Adjustment of prior years' earnings	—	(2,394,607)
As restated	212,816	(382,421)
Net earnings (loss) for the year	(10,696)	595,237
RETAINED EARNINGS, END OF YEAR	<u>\$ 202,120</u>	<u>\$ 212,816</u>

Consolidated Schedule of Expenses

For the Year Ended December 31, 1980

	1980	1979
EXPLORATION AND DEVELOPMENT EXPENSES		
Abandoned well costs, leases and mining claims	\$ 1,588,489	\$ 625,535
Oil, gas and mining consulting fees	29,950	3,638
Lease rental payments	405,516	837,212
Exploration	917,054	593,250
Amortization	223,016	185,527
	<u>\$ 3,164,025</u>	<u>\$2,245,162</u>
ADMINISTRATIVE AND GENERAL EXPENSES		
Exploration Office — Personnel	\$ 309,958	\$ 255,805
— Premises	18,328	17,298
— Office expense	44,817	31,800
Head Office — Personnel	271,737	220,816
— Premises	33,437	32,473
— Office, legal, audit and other expenses	163,692	188,742
Interest and bank charges	436,774	690,468
	<u>1,278,743</u>	<u>1,437,402</u>
Loss on foreign exchange	45,622	4,336
	<u>\$ 1,324,365</u>	<u>\$1,441,738</u>

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1980

	1980	1979
WORKING CAPITAL DERIVED FROM		
Earnings before provision for items not requiring an outlay of funds	\$ 1,803,612	\$1,485,846
Proceeds from sale of capital stock	1,601,837	1,992,960
Proceeds from term bank loan less current instalments	—	881,483
	<u>3,405,449</u>	<u>4,360,289</u>
WORKING CAPITAL APPLIED TO		
Deferred income taxes	12,818	—
Investments and advances	34,371	49,435
Purchase of capital assets	4,126,437	1,779,881
Term debt	881,483	—
	<u>5,055,109</u>	<u>1,829,316</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(1,649,660)	2,530,973
Working capital deficit, beginning of year		
As previously reported	1,584,629	4,300,861
Effect of prior period adjustment	—	185,259
As restated	1,584,629	4,115,602
WORKING CAPITAL DEFICIT, END OF YEAR	<u>\$ 3,234,289</u>	<u>\$1,584,629</u>

AUDITORS' REPORT

To the Shareholders of
Ram Petroleums Limited:

We have examined the consolidated balance sheet of Ram Petroleums Limited as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the consolidated results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
May 1, 1981.

MacGILLIVRAY & CO.
Chartered Accountants

Notes to the Consolidated Financial Statements

December 31, 1980

Note 1: Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments, favourable or unfavourable, that would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities, other than in the normal course of business and at amounts different from those in the accompanying consolidated financial statements.

(b) Basis of Consolidation

The accompanying financial statements consolidate the accounts of the company and the following subsidiaries:

	Percentage Owned
Ramoco Inc.	100.0%
Taman Resources Limited	61.4%
Donker Mines Ltd.	100.0%

Mextor Minera's Limited is a 91% owned subsidiary whose only asset is an investment in a Mexican company, Compania Minera de Pinabete S.A.. Pinabete is in the process of liquidation and it would appear Mextor will not recover any of the advances or amounts invested in shares. Accordingly, Mextor Minerals Limited has not been included in these consolidated financial statements.

(c) Foreign Exchange Conversion

Capital assets are converted at rates prevailing at the date of acquisition. All other assets and liabilities are converted at the exchange rate \$1 Canadian = \$.84 U.S., the rate in effect at December 31, 1980. Revenues and expenditures have been translated at the average exchange rate for the year of \$1 Canadian = \$.85 U.S.

(d) Oil and Gas Leases

The initial cost of a lease is recorded as an asset. These costs will be amortized on a unit of production basis, or will be written off in the year the leases are abandoned or proven to have no value. The annual costs of maintaining leases over and above initial acquisition costs are charged to operations as incurred.

(e) Mineral Interests

The mineral interest is a portion of the mineral estate in land. Where the land is leased for the purpose of oil and gas production, it is a portion of the landowner's royalty reserved in the lease. The cost of a mineral interest is recorded as an asset when acquired. The productive interests are amortized on a straight line basis over five years. Non-productive interests are carried at cost and are written off when the interest is abandoned or when it is not considered to have a value equivalent to its cost.

(f) Development Costs Deferred

All costs incurred subsequent to the commencement of drilling are capitalized as development costs. These costs will be amortized on a unit of production basis or will be written off in the year the leases are abandoned or proven to have no value.

(g) Equipment

Equipment at the well sites is being amortized on a unit of production basis. Other equipment is amortized at the rate of 20% per annum.

Note 2: Investments and Advances

	1980
General advances	\$ 75,400
Mextor Minerals Limited	1
Government Bonds	34,276
United States Treasury Bonds	15,420
Investment in land	108,143
	<u>\$233,240</u>

Note 3: Capital Assets

	Cost	Accumulated Amortization and Depreciation	Net Book Value	
			1980	1979
Interest in oil and gas leases	\$ 2,459,026	\$ 17,821	\$2,441,205	\$1,770,295
Mineral interests . .	921,529	378,772	542,757	457,501
Equipment .	1,665,204	218,056	1,447,148	592,007
Development costs deferred . .	5,278,381	675,032	4,603,349	3,899,724
	<u>\$10,324,140</u>	<u>\$1,289,681</u>	<u>\$9,034,459</u>	<u>\$6,719,527</u>

Note 4: Bank Indebtedness

The bank indebtedness is secured as follows:

- (a) General assignment of certain book debts; and
- (b) Assignment of certain oil and gas rights under Section 177 of The Bank Act.

Note 5: Term Bank Loan

The term bank loan is secured as follows:

- (a) General assignment of certain book debts; and
- (b) A mortgage on certain oil and gas property interests.

The mortgage maturing on December 31, 1981 bears interest at rates which fluctuate with the lender's prime commercial rate.

Subsequent to the year end, the company's wholly-owned subsidiary, Ramoco Inc., renegotiated the terms of its bank indebtedness. Bank indebtedness as at March 31, 1981 in the amount of \$2,245,530 which includes the balance of \$478,975 owing under the term loan due in 1981 was converted to a new term loan repayable at the rate of \$99,127 per month plus interest calculated at one-half percent above the

lender's prime commercial lending rate. The bank indebtedness of Ramoco Inc. reflected in these financial statements is as follows:

Bank indebtedness	\$ 952,535
Current instalments on term bank loan	720,664
	<u>\$1,673,199</u>

The security for this indebtedness is unchanged and the related mortgage now matures on March 31, 1983.

Note 6: Capital Stock

	1980	1979
Authorized		
150,000 6% non-cumulative preference shares, redeemable, par value \$1		
8,000,000 Common shares, par value \$0.25		
Issued		
4,010,565 Common shares (1979 — 3,869,132)	\$1,002,642	\$ 967,284
Premium on issue of shares less discount	4,515,674	2,949,195
	<u>\$5,518,316</u>	<u>\$3,916,479</u>

During the year the company issued 10,000 shares for \$185,000 as partial consideration for the acquisition of the outstanding capital stock of Donker Mines Ltd.

The company issued 241,733 warrants to purchase common shares in 1979. During 1980, 107,866 warrants were exercised and accordingly, 107,866 common shares were issued for a total consideration of \$1,187,165. There are 133,867 warrants outstanding which may be exercised at \$14 per share on or before December 7, 1981.

STOCK OPTIONS

During the year, the company issued 23,567 shares to employees who had exercised stock options during the year. The shares were issued for a total consideration of \$229,671.

There are outstanding options to purchase shares of the company at 90% of the fair market value of the shares on the day the option was granted. All options except those expiring in 1985 must be exercised within three years from the date the options were granted. There follows a summary of outstanding options as at December 31, 1980.

Number of Shares	Fiscal Year Option Expires
15,970	1981
18,222	1982
21,500	1983
10,000	1985
<u>65,692</u>	

In addition to the foregoing the company has set aside 168,625 shares for key and regular employees' stock option plans. Options will be granted over the remaining four years of these plans.

Note 7: Statutory Information

The aggregate direct remuneration paid or payable to seven directors and five senior officers as defined by The Business Corporations Act (Ontario) amounted to \$244,949 (1979 — \$227,240).

Note 8: Employee Incentive Plan

Subsequent to the year end, the company purchased a 1% interest in certain oil and gas leases for \$29,750. This interest has been set aside for the benefit of six designated employees.

Note 9: Contingencies and Commitments

- (a) The recovery of development expenses capitalized is dependent upon various projects, the success of which cannot be forecast at this time.
- (b) In order to continue operations the company may require additional working capital which may be obtained through the issuance of additional permanent capital and/or additional financing.
- (c) The Company has deposited \$27,000 par value government bonds and issued promissory notes of \$194,263 as guarantees that future exploration expenditures of \$221,263 will be made.

